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PROGRAMME PLANNING

Country and intercountry programmes and projects

FIFTH COUNTRY PROGRAMME FOR PANAMA

Programme period	Resources	$
1992-1996	Net IPF	3 216 000
	Estimated cost-sharing	52 704 000
	Total	55 920 000

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I. DEVELOPMENT SITUATION, OBJECTIVES AND STRATEGIES

A. Current socio-economic situation

1. During the 1980s, Panama underwent the greatest economic and social crisis in its history, provoked by an exceptional conjunction of external and internal causes. The country's present situation is shaped by the effects of the crisis and by national efforts to move beyond the structural conditions at the root of it.

2. The external causes of the crisis stem from the global recession and have had a great impact because of the peculiar nature of the national economy, which is especially vulnerable to the international economic situation. They were compounded by a suspension of credit and the imposition of economic sanctions by the United States of America beginning in 1987. The internal causes, on the other hand, point to the fact that the traditional model of economic and social development had run its course, something which occurred more suddenly and violently than in other countries because it coincided with the collapse of the authoritarian political system in Panama. The social conflicts that accompanied the collapse showed that the standard-of-living indicators that showed Panama as one of the countries with a high human development index conceal marked social inequalities and one of the worst income distributions in the world. The crisis itself aggravated this imbalance: in Panama, the poorest 40 per cent of the population receive 7 per cent of the income, while the richest 20 per cent receive 62 per cent.

3. In 1991 Panama ranked 54th according to the human development index, while in 1992 it ranked 62nd. Currently, it has almost 2.5 million inhabitants, 47 per cent of whom live in rural areas, and the population is growing at a rate of 2.5 per cent per year. In 1991 the per capita gross domestic product (GDP) was approximately $1,700, almost 15 per cent below that of 1980. Caution should be exercised in interpreting this indicator, given the extremely poor income distribution and the fact that some services that impinge highly on GDP have little impact on the country's economy and on real income. In 1988, 50 per cent of the population was classified as poor and 30 per cent as living in indigence. Poverty is primarily rural, with two thirds of the poor living in the countryside; among the peasant poor, the worst living conditions are those of the indigenous people.

4. The rate of illiteracy stands at 12 per cent, but it is as high as 72 per cent for indigenous women. The infant mortality rate is 25.2 per thousand, and possibly twice as high in the Darién Province. It is estimated that 24 per cent of all children suffer from malnutrition. Nineteen per cent of the population has no access to the primary health-care network, and close to 16 per cent of the inhabitants do not have a drinking water supply, shortcomings which are concentrated in the rural areas. There are no reliable statistics on the incidence of acquired immune deficiency syndrome (AIDS), but the cases are believed to be mounting rapidly. About 2,500 cases of cholera have occurred in the poorest provinces. According to the traditional indicators, women are at no particular social disadvantage;

however, situations of discrimination against women persist, reflected especially in low political participation, lower relative income, a greater risk of unemployment and high rates of hospitalization and mortality due to maternity-related complications.

5. The Panamanian economy is based on services, which account for over 75 per cent of GDP. Agriculture, which generates barely 10 per cent of GDP and during the last decade has not kept pace with the population, was seriously affected by the international collapse of prices for the country's main export products: bananas, sugar and coffee. The manufacturing sector has accounted for a smaller proportion of GDP, now standing at about 10 per cent. These signs of deindustrialization are due in part to the uncertainty and the non-refinancing provoked by the crisis and to the technological lag in most sectors, which detracts from their capacity to bid competitively and generate employment. The country's production development potential and the quality of life have been increasingly affected by the general deterioration of the environment and by the scarcity of arable land and the exhaustion of the productive capacity of the land available.

B. National development objectives and strategies

6. To deal with the many problems described, the Government has set itself the task of making a series of structural changes based on an all-inclusive conception of human development, in an effort to improve the quality of life of the whole population through coordinated action dealing with economic growth, social development, environmental management, modernization of public administration, and consolidation of democracy.

7. In the economic field, the Government has begun to implement the programme for the development and modernization of the economy, formulated in 1991 with UNDP cooperation. The objective of this programme is to create the conditions for developing a self-sustaining economy and for enhancing Panama's production capacity on the basis of private investment. To that end, it is advocating a market-based economy where production would be the province of the private sector and would be freed from the restrictions of State intervention. The programme lays down guidelines to enable the various State agencies to formulate plans in accordance with the new development strategy and in keeping with the Government's overall plan. At the same time, it gives clear signals to the private sector about the orientation of economic policy, it establishes with clarity the rules for economic activity and sets out an attractive context for local and international investment.

8. The main benefits of the reforms are expected to be felt in the medium and long terms, but already favourable results can be seen in the recovery of the financial system and the revival of the economy. An initial step that had great impact was the negotiation of agreements on a financial stabilization programme, a structural reform programme and an external credit programme with the International Monetary Fund (IMF), the World Bank and the Inter-American Development Bank (IDB). These agreements have made private investors more

confident and have paved the way for international investment and financial support from other Governments.

9. The Government has proposed a social development programme under the programme for the development and modernization of the economy, following the guidelines of the national poverty alleviation strategy. Activities are directed towards mitigating the negative impact of the recent crisis, improving the living conditions of the population and upgrading manpower qualifications. The funds, drawn from regular national budget funds, external credit and international cooperation assistance, will be used to meet basic needs in education, health and housing and implement production projects aimed at workers in the urban and rural informal sector. Some activities are financed through the Social Emergency Fund. The success of the programme depends in large part on a more dynamic handling of investment and current expenditure by the ministries in the social sectors, with UNDP cooperation and private sector participation.

10. It is a priority of the Government's economic and social policy to give impetus to environmental protection, strategically important in achieving sustainable development and promoting the general welfare. Planned activities include the implementation of the forestry plan of action, with emphasis on the natural resources management project, especially the Panama Canal basin, and in particular on the unification of existing legislation, the promotion of a rational exploitation of the country's marine resources and the consolidation of the ongoing debt-for-nature swap operations. A large part of the environmental protection activities are carried out by non-governmental organizations.

11. The Panamanian Government attaches particular importance to comprehensive State reform, aimed at strengthening the recently re-established democracy by adapting institutions to the country's modernization needs, establishing a more effective and efficient public administration and strengthening the mechanisms for political debate and participation by the citizenry. Modernizing the State includes adapting it to the new economic and social management guidelines, consolidating the political reforms and creating the institutional conditions necessary for successful completion of the transfer of the Panama Canal.

II. EXTERNAL COOPERATION

A. Role of external cooperation

12. Very little external cooperation is being extended to Panama because of the apparent prosperity suggested by its development indicators and the authoritarian regime that was in power until 1989. However, the country considers external cooperation to be crucial for achieving the human development and modernization objectives set by the Government.

13. At the moment, it is not possible to discern any typical pattern of external cooperation with Panama. At the beginning of the 1980s, the country received very little cooperation for the reasons mentioned. In the second half of that decade, the Government's suspension of debt-servicing and the economic sanctions imposed by the United States affected cooperation to such a degree that it fell to below $1 million in 1987. Once democracy was restored in 1990, the last year for which consolidated data are available, the pattern of cooperation must again be considered atypical, since 90 per cent of the resources received consisted of compensation for damage and emergency assistance to care for the population affected by the invasion and the subsequent problems.

14. Apart from that compensation, the country received the equivalent of $10.9 million in cooperation assistance in 1990. Of this figure, 64.4 per cent consisted of technical cooperation, especially in the agricultural and livestock sector; 21.2 per cent, emergency assistance; 8.4 per cent, cooperation on reconstruction projects; and 6 per cent, food aid. As to the sources, 42.3 per cent came from multilateral agencies (primarily UNDP, providing 9.8 per cent of the total; the World Health Organization (WHO), 7.2 per cent; the Organization of American States (OAS), 7 per cent; and the World Food Programme (WFP), 3.8 per cent); 37.6 per cent came from bilateral agencies, especially from Taiwan (10.1 per cent), Spain (6.3 per cent) and Switzerland (5.8 per cent); and 20.1 per cent came from non-governmental organizations, especially the Kellogg Foundation (13.7 per cent). In 1992, the Japan International Cooperation Agency (JICA) has been one of the main bilateral cooperation agencies.

15. Panama plays a very small part in subregional cooperation, because to a large extent the development activities and Central American economic integration initiatives are of little benefit to the country, given its peculiarities. Recently, the Government decided to join in some activities of the Special Plan of Economic Cooperation for Central America (PEC), coordinated by UNDP. Panama has received cooperation assistance from Latin American countries such as Chile, Brazil and Argentina in the fields set out in the forestry plan of action, in public management, privatization, the development of production and agro-industry, and social development. It has also received occasional cooperation from Colombia, Ecuador and Uruguay on projects related to rural and agro-industrial production. Part of this assistance has been provided in the form of technical cooperation among developing countries (TCDC).

16. The contractual external debt of the entire public sector is close to $4 billion, the equivalent of almost 120 per cent of GDP. In 1991, actual outlays in external loans amounted to $17 million, while amortization and interest expenditures amounted to $272 million, the equivalent of 72 per cent of the country's total manufacturing output. Thanks to its economic and social programmes, the Government has regained the confidence of the credit institutions that had suspended payment years before, it has managed to conclude important agreements with multilateral banks for the establishment of a medium-term external financing programme, and it hopes to conclude similar agreements with its commercial creditors.

B. Aid coordination arrangements

17. Responsibility for managing and providing technical coordination of international cooperation lies with the Ministry of Planning and Economic Policy, which operates through the intermediary of the International Technical Cooperation Department and in collaboration with the economic programme technical coordination unit. The Ministry of Foreign Affairs is responsible for managing cooperation in the field of foreign policy.

18. The Ministry of Planning and Economic Policy has considerably strengthened its technical cooperation management capacity with UNDP support. The Ministry has an indicative plan of technical cooperation and a set of strategic guidelines for adapting cooperation to the needs and priorities of the Government's programme; it has a computerized system for the monitoring and supervision of the projects of most of the multilateral agencies and has a compendium of proposals and projects drawn up by other ministries and public institutions. Recently, the Ministry has devoted special attention to strengthening the liaison bodies in all the ministries, as well as its ties with agencies involved in cooperation. In order to consolidate these developments and improve its capacity for the planning, coordination, administration and assessment of international cooperation, the Government has expressed interest in using the UNDP NATCAP (National Technical Cooperation Assessment and Programmes) methodology.

19. The Government has asked UNDP to play a vital supporting role in technical cooperation management to enhance coordination between United Nations agencies and to rally donor support for the external aid requirements which are a national development priority.

III. THE COUNTRY PROGRAMME

A. Assessment of previous country programme

20. The fourth country programme for Panama (1987-1991) was designed to support the action taken by the Panamanian Government in four priority areas: (i) exploitation of Panama's geographical position; (ii) modernizing and increasing the efficiency of the public sector; (iii) increasing productivity and international competitiveness in the production sectors; and (iv) assistance to economically depressed areas. The programme had an indicative planning figure (IPF) of $4.4 million, together with $220,000 from other UNDP funds and $5.5 million from cost-sharing, so that total resources stood at approximately $10.1 million.

21. The fourth country programme fell into two distinct phases. The first (1987-1989) coincided with the final period of the previous regime and the worst phase of the economic and social crisis; the second (1990-1991) began with the establishment of a democratic Government and the first steps towards overcoming the crisis and reorienting development policy.

22. During the first phase, UNDP cooperation was hindered by restrictions in the public sector, the problems experienced by the Government in meeting its financial and technical commitments and the uncertainties and tensions in the country, which hampered the recruitment of experts and consultants and made it difficult for them to perform their duties.

23. Despite these difficulties, a significant number of activities were begun or completed during this phase. The project to exploit the country's geographical position had to be abandoned because of the lack of institutions suitable for the purpose. The focus of cooperation was switched to the maritime and ports sectors, where the results included improved safety conditions at sea, the training of administrative staff for harbour services, the training of crews at the naval school, the advanced training of 400 small-scale fishermen, and coordination among the five national bodies having primary responsibility for the sector. With regard to increased efficiency in the public sector, a national forestry action plan was drawn up comprising 28 investment project proposals and 18 technical cooperation projects, while training programmes were established for controllers and pilots in the civil aviation sector and the National Telecommunications Institute was restructured. With regard to increasing the productivity and international competitiveness of production sectors, cooperation activities were held back by the crisis in the private sector and the shut-down of banking operations. In economically depressed areas, the main achievements were the development of a pilot organizational model for use at the local level, which was successfully adopted by various communities, the establishment of employment and salary indexes and the strengthening of the Social Emergency Fund.

24. During the second phase, UNDP cooperation was dynamic as a result of changes in the political and institutional conditions, the confidence shown by the Government in UNDP, and the extensive dialogue between the two sides. This meant that cooperation played a substantial role in the Government's recovery and development programme. Its main impact was achieved through the support given to the development and coordination of the economic programme, the successful negotiations between the Government and the Bretton Woods institutions, the studies on the privatization of certain bodies which the Government did not consider essential to the functioning of the State, the development of external loan projects, taking into account the need to create the conditions necessary for their successful implementation, the stimulus given to investment by the education and health ministries and the drawing up of a new social programme with emphasis on human development. The Government's confidence in UNDP is reflected in the substantial increase in the resources allocated for cost-sharing.

25. The fourth cycle, particularly the second phase, illustrated the advantages of not spreading UNDP cooperation too thinly on small-scale projects, but of focusing it on support for priority national programmes. It also demonstrated the advantages of national execution, which was practically non-existent prior to the first phase of the programme, when the emphasis was on execution by agencies and no effort was made to build the country's technical and institutional capacity. The Government has realized the

importance of specialized bilateral and multilateral cooperation, and it is to be hoped that UNDP will place greater emphasis on promoting and coordinating such cooperation. The Government also realizes that UNDP has the ability to manage cost-sharing resources in a highly effective manner and that much can be achieved if a substantial volume of such resources is available.

26. The urgency and intensity which marked the activities carried out by the Government and UNDP during the second phase justified the joint decision to postpone the preparation of the fifth country programme, begun in January 1992 on the basis of the guidelines for the fourth programme, for one year.

B. Proposals for UNDP cooperation

1. Preparatory process

27. The fifth country programme was drawn up after extensive consultations between the Government and UNDP, beginning in mid-1991, on the role of cooperation in the Government's proposed State reform, poverty alleviation, modernization of production and environmental development programmes. In addition, joint working meetings were held at the highest level between the Ministry of Planning and Economic Policy and UNDP in order to analyse the strategy for UNDP cooperation, conduct a mid-term review of the fourth cycle and examine the Government's sectoral policies and the UNDP programme guidelines, particularly those set out in General Assembly resolution 44/211 and in Governing Council decision 90/34.

28. IDB and the World Bank held lively discussions with the Government and UNDP, and the current programme takes a number of their suggestions into account. The agencies of the United Nations system represented in Panama played an active role in determining the assistance they could offer the Government in selected areas of concentration. The present country programme, drawn up by the Government with UNDP support, represents a consensus of the Panamanian authorities, the United Nations agencies and UNDP, and reflects the opinions expressed during the consultations held with bilateral sources and non-governmental organizations. The final version of the programme fully reflects the guidelines and recommendations contained in the UNDP advisory note.

2. Strategy for UNDP cooperation

29. The key aspect of the fifth UNDP country programme is its overall focus on human development. The underlying objective of the programme as a whole is therefore to promote a wider range of opportunities, in a context of freedom and democracy, for Panamanian citizens in the area of social services, living standards and employment. UNDP cooperation will focus on social development, economic growth, the modernization of State administration, and environmental management, which are inseparable components of human development as well as areas in which the Government has requested UNDP support.

30. To prevent UNDP support from being too widely dispersed and losing cohesion and impact, the cooperation strategy will seek to focus strictly on certain tasks. It will aim to build the country's capacity for implementing priority programmes in the field of human development, focusing on those areas in which the country faces the greatest challenges and needs and in which UNDP enjoys a comparative advantage. In each of the selected areas of concentration, then, cooperation will focus on: (i) supporting the development of national programmes and effective machinery for institutional action; (ii) facilitating highly effective and innovative measures to overcome obstacles which can serve as models at the national level for the achievement of development objectives; (iii) promoting and mobilizing international technical and financial cooperation inputs and resources for the execution of priority programmes and encouraging the participation of non-governmental agents (non-governmental organizations, grass-roots organizations and the private sector).

31. Under this strategy, available IPF resources would be used as seed capital to stimulate cooperation and additional funding for the activities envisaged.

32. In accordance with the guidelines described, the fifth country programme will serve as a frame of reference for cooperation from other sources and for the mobilization of new cooperation resources in the areas of concentration selected. UNDP should therefore support the promotion, management and coordination of technical cooperation by the Ministry of Planning and Economic Policy and should also promote coordination between United Nations agencies and rally the support of the donor community for the external aid needed to meet national development priorities.

33. By channelling the direct cooperation mobilized by UNDP towards support for the major national programmes undertaken by the Government under the new development model, UNDP support will follow a programme approach, so that the impact of this cooperation will be closely linked to the progress of national programmes.

34. This strategy will make it possible to draw on the comparative advantages of UNDP cooperation: its familiarity with the new development strategy and the accompanying programmes; its administrative efficiency, which guarantees that the resources in its control will be used flexibly and responsibly; its multisectoral focus, which enables it to support the Government's efforts to promote the new, comprehensive approach to development; and its ability to coordinate the activities of the United Nations system, which makes it easier to promote the cooperation the country needs. The Government also hopes that UNDP will provide support through its extensive knowledge of and access to international experience. This will help Panama draw on that experience and benefit from the integration process in other countries, taking advantage of the political and sectoral neutrality of UNDP which enables it to encourage the opening of new channels of dialogue and coordination between the various sectors and levels of administration and new opportunities for collaboration between the State and the social agents of development programmes.

3. Proposed UNDP cooperation in selected areas of concentration

35. The four areas of concentration of the fifth country programme correspond to the major priorities of national development policy and are also consistent with the basic thrust of UNDP action as reflected in the overall human development goals. The purpose of UNDP cooperation is spelt out in each area, in accordance with the strategy established: support for the formulation of programmes, support for the execution of activities with multiplier effects, and promotion of the thematic areas selected in order to secure coordinated cooperation from other sources of funding.

Modernization of the State and restructuring of the public sector

National objectives or programmes requiring UNDP assistance

36. The Government has committed itself to modernizing and improving the efficiency of the public sector in order to guarantee the viability of its new development model and to strengthen democracy. The programme for the modernization of the State sector includes the privatization of public enterprises, a substantial reform of some entities, the reorganization of the public financial sector, the modernization of public management and streamlining of bureaucracy and the creation or enhancement of the institutional conditions and machineries required for efficient administration of the Panama Canal and the land returned to Panama. At the same time, the Government is committed to strengthening its macroeconomic management capacity in order to carry out fiscal, financial, credit and external trade reforms and to reorganizing the institutional structures that support production activities and investment in infrastructure with a view to promoting the modernization and development of those national production sectors that are highly competitive on external markets and optimizing the domestic market supply.

Proposed UNDP cooperation

37. UNDP cooperation in this area will focus on the formulation of national programmes and the implementation of activities with multiplier effects that facilitate the reorganization of the State sector in the new climate of democracy. Emphasis will be placed on the following sub-areas.

38. Strengthening of democracy. Cooperation will be provided in the execution of activities for the promotion and protection of human rights, including training, public information and the establishment of monitoring bodies and the strengthening of electoral supervisory bodies and procedures.

39. Modernization of State administration. UNDP will continue to provide assistance in the preparation of programmes and the implementation of activities with multiplier effects designed to modernize and restructure State management, focusing on three areas: privatization of activities that are not essential to the function of the State, especially port and telecommunications

systems; reform of public enterprises in order to improve their efficiency, focusing on drinking-water and electric power supply; and the restructuring, deregulation, rationalization and development of the management capacity of the public sector.

40. Macroeconomic management. Cooperation administered by the economic authorities will be continued, particularly in the formulation and execution of activities to guide the new economic and social development model, rationalize public spending, optimize public investment, improve tax collection and reform the social security system. In these instances, cooperation will provide support for a refinement of planning and evaluation procedures, with emphasis on: the establishment of mechanisms that permit the optimum use of national capacity for fine-tuning and managing the economic programme, strengthening national capacity for measuring the social and economic impact of macroeconomic decisions, and making the necessary adjustments and enhancing national capacity for executing the public investment programme by tailoring it to new development requirements.

41. Reversion of the Panama Canal and adjoining areas. Support for the Government of Panama in the design of mechanisms aimed at conserving and making the fullest use of the potential of the land returned to Panama, harmonizing its development with Canal operations and establishing the institutional framework required for the transfer and operation of the Canal.

Expected impact of cooperation

42. The impact of UNDP cooperation can be evaluated by the extent to which the modernization of public administration is successful and the goals of privatization, reorganization and modernization are achieved. It can also be measured by the tangible results achieved by the new style of macroeconomic management (stable and more balanced sectoral growth indicators, disbursement of credits for development currently under negotiation) and by the establishment of goals for the creation of a national Canal management capacity.

Complementary assistance

43. Supporting activities include the current or prospective involvement of such sources of cooperation as: the World Bank and IDB (support for the structural reform programme); IDB ($11 million credit for the public enterprise reform programme); IMF (support for the development of economic indicators); the Management Development Programme (MDP) (mobilization of resources for the reorganization of some entities, development of a budgeting system, streamlining of the civil service and bureaucracy and modernization of the administration); USAID (support for the implementation of economic recovery reforms and payment of the external debt); and JICA (training in telecommunications).

Implementation and financing arrangements

44. Activities were coordinated and efforts focused through the establishment of coordinated packages of projects in the first two sub-areas mentioned above and through the application of the programme approach in the other sub-areas. IPF resources allocated for this area amounted to $1.2 million (38 per cent of total IPF). Cost-sharing is expected to contribute $16 million, giving a ratio of 1 to 13 with respect to IPF.

Social development: poverty alleviation

National objectives or programmes requiring UNDP assistance

45. Cooperation is needed to harmonize economic growth objectives with the goal of generally improving social welfare under a new development strategy in which economic growth is specifically aimed at enhancing the quality of life and social development is viewed as a factor of economic growth. To achieve this aim, State management of the social sector must be improved while enhancing welfare and increasing productivity.

Proposed UNDP cooperation

46. The Government of Panama has envisaged three sub-areas of action in the social field: a social development programme designed to take care of the needs of the poor, vulnerable groups and emergency requirements; strengthening of the financial and operational capacity of the ministries responsible for social matters and their related bodies, and a programme of public investment in the social sector.

47. Social development programme. UNDP will continue to support the activities called for in the national poverty alleviation strategy and social development policies. Special emphasis will be placed on Government efforts to formulate, build appropriate institutions for and implement the national social development and poverty alleviation programme, chiefly in order to focus the programme on the poor and vulnerable sectors of the population and to ensure that women not only benefit directly from the activities of the national programme but actually participate in them as well. UNDP will also help to promote the financial and operational participation of the private sector and non-governmental organizations and the coordinated cooperation of other multilateral and bilateral agencies.

48. Support for social ministries. UNDP will give special priority to continuing its support for ministries in the social sector by helping them to strengthen their institutional base and to adopt highly efficient and effective methods in order to expand their coverage, enhance their operational capacity, stimulate their investments and streamline their arrangements for delivering social services.

49. Sectoral programmes (promotion of cooperation). UNDP will promote cooperation by other multilateral, bilateral and non-governmental agencies in the social development activities planned by the Government, with emphasis on the following: (i) education: basic education coverage will be extended in rural areas; education will be improved through investment in infrastructure and the supply and training of teachers; (ii) health: conditions will be established in which access to basic and preventive health services can be expanded, particularly in rural and disadvantaged areas; the campaigns against cholera and AIDS will be strengthened; (iii) nutrition: the school nutrition programme and the supplementary nutrition programme for pregnant and nursing mothers will be strengthened; (iv) women: action will be taken to counter discrimination against women in the areas of health, employment and income; (v) children in difficult circumstances: additional support will be given to activities to assist street and working children currently being implemented with cooperation from the United Nations Children's Fund (UNICEF) and IDB; and (vi) indigenous peoples: programmes will be implemented on behalf of indigenous peoples, with emphasis on the poorest elements (nutrition, health, education, improvement in production and working conditions).

Expected impact of cooperation

50. It will be possible to assess the effectiveness of the cooperation offered or mobilized by UNDP through improvements in sectoral indicators, especially those relating to school attendance, dropping out and repetition of school years, primary health care coverage, child immunization programmes, perinatal mortality and maternal and child malnutrition, and the problem of working children. One basic measure of impact would be a reduction in the percentage of children living in poverty.

Complementary assistance

51. Participation by the following sources of cooperation is under way or is planned: World Bank and IDB (probable financing for social development); WFP (development of indigenous communities and expansion of the food for work programme throughout the country); UNICEF (basic health, child survival, nutrition, rural education, immunization, basic services and care for women); the United Nations Development Fund for Women (UNIFEM) (analysis and monitoring of the status of women and support for projects to assist women); the United Nations Population Fund (UNFPA) (support for the Government's national population and development programme, education in demographics, maternal and child programme and promotion of women's health and use of statistics for social decision-making); WHO/Pan American Health Organization (PAHO) (primary health care, basic medicines, human resources training in the health sector, basic sanitation, self-help health care, nutrition, immunization, and AIDS and cholera prevention); United Nations Educational, Scientific and Cultural Organization (UNESCO) (improvement in education management and adult education); International Fund for Agricultural Development (IFAD) (integrated development for indigenous populations); Organization of American States (OAS) (improvement in education standards); EDA (Switzerland) (improvement in infrastructure in some rural schools); DGCS

(Italy) (prevention of childhood illnesses in conjunction with UNICEF); AECI (Spain) (nutrition); JICA (Japan) (hospital care); Kellogg Foundation (United States of America) (improvement in standards of living in rural areas).

Implementation and financing arrangements

52. A programme approach will be implemented in each of the three sub-areas planned. IPF resources earmarked for this area amount to $1.2 million (30 per cent of total IPF). Cost-sharing in an amount of $33 million is anticipated, giving a ratio of 1:28 with respect to IPF.

Strengthening of production sectors and promotion of employment

National objectives and programmes requiring UNDP assistance

53. The basic thrust of the economic modernization and development programme and of social development activities is to strengthen the country's production capacity. This is both the aim and foundation of the new development model in that future economic growth depends on a production capacity that can meet the bulk of social demands while stimulating employment and income.

54. The public sector is seen as an agent for promoting the successful penetration of external markets by national producers and endowing them with the capacity to supply national markets, thus ensuring food security and increasing employment in production together with workers' income. Government policy is aimed at abolishing Government-imposed price controls and at devising specific measures to promote modernization and conversion, attract investment and facilitate market access by the forestry and industrial sectors. It also establishes guidelines intended to ease rigidity in the labour market and promote employment. At the same time the approach to international trade is being overhauled and tax incentives are being established to promote investment. An especially important objective is to establish multisectoral export zones.

Proposed UNDP cooperation

55. UNDP activities in this area are geared towards supporting government measures to promote and regulate economic activity and towards supporting the production sectors in updating the new development model. In both cases, the primary objective will be to promote cooperation by specialized, multilateral and bilateral agencies.

56. Support for the overhaul of government management of production development. UNDP will continue its support for the conversion of the public sector into an agent to promote the private sector in national production. To this end it will cooperate in the formulation and promotion of the government programmes referred to above.

57. Support for the development of production. UNDP support is intended to promote cooperation from other sources in the formulation and execution of the following national programmes: (i) agriculture sectoral programme. Emphasis will be placed on promoting the export production of agricultural, fisheries-based and forestry products; the establishment of a programme of credit to promote such products for export; and improvements in the marketing of agricultural products, in animal and crop health and in supplying the domestic market; (ii) industrial restructuring support programme. Conduct of studies on the current industrial conversion process and the promotion of foreign investment; (iii) labour policy. Support for implementation of a new labour policy (labour legislation, cost-benefit studies of labour laws, model contracts and proposals to optimize arbitration procedures); (iv) consumer protection. Support for the establishment and strengthening of the Consumer Protection Office, which will replace the Price Control Office; (v) multisectoral export zones. Conduct of studies and adoption of measures to improve the competitiveness of the multisectoral zones, with emphasis on the improvement of administration and the provision of high-technology services, for which TCDC and the United Nations International Short-term Advisory Resources (UNISTAR) mechanisms may be used.

Expected impact of cooperation

58. It will be possible to assess the impact of the cooperation mobilized by UNDP in terms of the formulation and execution of the programmes in question, the existence of specialists trained in the management of productive investment projects, and improvements in indicators for productive investment, industrial and agricultural productivity, agricultural supply, exports, employment and real wages.

Complementary assistance

59. The following cooperation sources and objectives are in hand or planned: Food and Agriculture Organization of the United Nations (FAO)/Government of Italy (control of tropical animal diseases); United Nations Industrial Development Organization (UNIDO) (ecologically-sound processing of timber and engine maintenance by fishermen engaged in small-scale fishing); International Atomic Energy Agency (IAEA) (genetic improvement of plant and animal species); OAS (optimization of labour management); Inter-American Institute for Cooperation on Agriculture (IICA) (improvement in agricultural institution management, transfer of technology, marketing and promotion of agro-industry); CCTI (Taiwan) (agricultural production and fishing technology); AECI (Spain) (aquaculture and socio-labour consultancy); OAS, IOM, GTZ (Germany), DGCS (Italy), USAID (USA), JICA (Japan) (supply of equipment and technical assistance in the maritime, forestry and communications spheres and relating to professional training); FAC (France) (professional human resources training); IAF (United States of America) (integrated farming development).

Implementation and financing arrangements

60. The programme approach will be applied to each of the thematic areas referred to. IPF resources allocated to this area amount to $350,000 (11 per cent of total IPF). Since most UNDP support in this area is aimed at promoting cooperation by specialized multilateral and bilateral agencies, minimum use of IPF resources is anticipated.

Sustainable environmental development

National objectives and programmes requiring UNDP assistance

61. There is growing awareness in the country of the need to promote economic recovery and modernization within a context of the rational use of natural resources. Accordingly, the Government has established the National Environmental Commission (CONAMA) and, with UNDP support, has formulated a national environment plan and forestry plan of action. These plans set forth strategies to embark the country on sustainable development, identify needs and the potential for public and private participation in the rational management of the environment and the forest resources of the country, and constitute a set of policy and legal and institutional restructuring recommendations in the area of environmental management.

Proposed UNDP cooperation

62. UNDP cooperation will focus on encouraging support from other sources for the recently formulated national plans and on direct support for the implementation of pilot projects in the field of environmental management which can be reproduced in other parts of the country. Accordingly, cooperation will be oriented towards the following sub-areas:

63. National environment plan. Cooperation in this sub-area will consist of direct support from UNDP and promotion of support from other partners for policy guidance to CONAMA, legal reform of environmental management, natural resources management (MARENA Project) and debt-for-nature swaps, through activities executed by specialized non-governmental organizations.

64. Forestry plan of action. UNDP will continue to promote multilateral and bilateral support for investment and technical cooperation projects under the country's forestry plan of action. At the same time, it will provide direct support for the pilot project on seed production and reforestation in Coclé Province.

65. Promotion of pilot projects. UNDP will support the Government in the consolidation, promotion, dissemination and transfer of the pilot projects at Isla de Coiba and in Coclé Province, with a view to promoting similar activities throughout the country, by mobilizing local communities and encouraging participation by the private sector and non-governmental organizations.

Expected impact of cooperation

66. The impact of cooperation from UNDP and from sources mobilized by the Programme will depend largely on the level of support received from local communities and non-governmental organizations and the extent to which the activities undertaken are successful. Its impact may also be measured by the development of a new normative framework for environmental management, the success of debt-for-nature swaps and a reduction in deforestation and an increase in reforested areas.

Complementary assistance

67. Participation by the following multilateral and non-governmental agencies, among others, is expected: the United Nations Environment Programme (UNEP) and the Global Environment Facility (GEF) (implementation of the national environment plan); the Office of the United Nations Disaster Relief Coordinator (UNDRO) (disaster prevention and management); OAS, the World Conservation Union (IUCN) and the World Wildlife Fund (WWF) (appropriate use of natural resources in specific regions).

Implementation and financing arrangements

68. UNDP cooperation will consist of groups of interrelated projects designed to maximize coordination and exchanges of experience. IPF resources allocated for this area amount to $350,000 (11 per cent of total IPF). Cost-sharing in the amount of $704,000 is expected.

C. Assistance outside main country programme areas

69. Support will be given to the management of international assistance in the Ministry of Planning and Economic Policy with a view to its technical reinforcement and the strengthening of its planning, programming, management, follow-up and evaluation capacities through the use of the NATCAP exercise. Special Programme Resources (SPR) in the amount of $200,000 will be provided.

D. Implementation and management arrangements

70. The mid-term review planned for 1994, the year in which the Government is to change, may indicate any appropriate changes in areas of concentration and in the allocation of resources for them.

71. Coordination, follow-up and evaluation of the programme will be the joint responsibility of UNDP and the Ministry of Planning and Economic Policy. Each area of concentration will have a coordination and evaluation committee made up of representatives of the Ministry, UNDP and executing agencies.

72. The Government and UNDP share a desire to strengthen national execution. Accordingly, they will continue their efforts to build the institutional capacity of government bodies and to improve the quality and speed up the allocation of resources for the implementation of planned activities. In this connection, they will make maximum use of national technical capacities and will resort to the services of international consultants only when the required expertise or experience does not exist in the country. United Nations agencies may assist in the execution of highly specialized technical components.

73. During the course of the fifth cycle, the use of TCDC will be strengthened, particularly among Latin American countries. Other United Nations mechanisms will also be used, in particular United Nations Volunteers and UNISTAR, to supply human resources for development, and linkages between regional and subregional programmes will be deepened.

Annex I

FINANCIAL SUMMARY

I. ESTIMATED RESOURCES (IPF + cost-sharing) TAKEN INTO ACCOUNT FOR PROGRAMMING

(Thousands of dollars)

Carry-over from fourth cycle IPF	(330)	
Fifth cycle IPF	3 546	
Subtotal IPF		3 216
Project cost-sharing (Government) a/	49 704	
Project cost-sharing (Third Party)	-	
Programme cost-sharing	3 000	
Subtotal cost-sharing		52 704
TOTAL		55 920

II. ALLOCATION OF RESOURCES (IPF + cost-sharing) BY AREA OF CONCENTRATION

Area of concentration	IPF	Cost-sharing	Total	Percentage of total resources
Modernization of the State and restructuring of the public sector	1 200	16 000	17 200	30.79
Social development and poverty alleviation	1 200	33 000	34 200	61.22
Strengthening of the production sectors and promotion of employment	350	-	350	0.63
Sustainable environmental development	350	704	1 054	1.89
Subtotal	3 100	49 704	52 804	94.53
Unprogrammed reserve	116	3 000	3 116	5.47
TOTAL	3 216	52 704	55 920	100.00

a/ Additional government cost-sharing contributions of $2 million are anticipated.

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III. COMPLEMENTARY ASSISTANCE FROM OTHER SOURCES USED IN AREAS OF CONCENTRATION

(Thousands of dollars)

A. UNDP-administered funds	
Special Programme Resources	
UNCDF	10
UNIFEM	37
Subtotal	47
B. Other United Nations resources	
JCGP participating agencies:	
UNFPA	2 000
UNICEF	5 000
WFP	5 500
Other United Nations agencies (non-UNDP financed)	2 300
Global Environment Facility (GEF)	1 000
Subtotal	15 800
Total non-core and other United Nations resources	15 847

Annex II

PROGRAMME MATRIX

Area of concentration	Area of focus a/					
	Poverty eradication and grass-roots participation	Environment and natural resource management	Management development	TCDC	Transfer and adaptation of technology	WID
I. MODERNIZATION OF THE STATE AND RESTRUCTURING OF THE PUBLIC SECTOR						
Consolidation of democracy			*	*		*
Administrative modernization			*	*	*	
Macroeconomic management			*	*		
Transfer of the Canal		*	*		*	
II. SOCIAL DEVELOPMENT						
Social development programme	*		*	*		*
Support for social ministries	*		*	*		*
Sectoral programmes	*		*	*	*	*
III. STRENGTHENING OF THE PRODUCTION SECTORS						
Support for reform of government management of production sector development		*	*		*	
Support for production development	*	*	*		*	
IV. SUSTAINABLE ENVIRONMENTAL DEVELOPMENT						
National environmental plan		*	*	*	*	
Forestry plan of action		*	*	*		
Pilot projects	*	*			*	*

a/ Asterisk indicates major linkage.